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Office of Policy and International Affairs
Office of Electricity and Natural Gas Analysis, PI-23
Attn: Voluntary Reporting Comments
U.S. Department of Energy
Forrestal Building, Room 7H-034
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Madam or Sir:

We appreciate the opportunity to provide comments for improving the Department of Energy's (DOE's) Voluntary Reporting of Greenhouse Gases Program (VRGGP) guidelines. ChevronTexaco acknowledges the timing for improving these guidelines given that more information is now available and the President's recent directive to enhance measurement accuracy, reliability and verifiability. Also, trends in international policy developments will influence how numbers registered with the 1605(b) program will be perceived. Results will be looked at in terms of completeness, consistency, comparability, accuracy, transparency, and verifiability. DOE recommendations should ensure that participants registering reductions are not penalized under any future actions.

We'd like to emphasize the American Petroleum Institute's (API) comments that the VRGGP must remain voluntary, highly flexible, and relatively free of bureaucratic obstacles. This is necessary to promote and enhance a wide variety of participants. Encouraging as many participants as possible is essential to achieving the national goal of reducing GHG intensity by 18% in the next 10 years. We also thought it would be helpful to provide our individual comments because we have a practical understanding of the issues through direct experience in several areas. ChevronTexaco is a significant stakeholder in this process because we:

- Have an internal process for greenhouse gas reporting and track results in a corporate-wide database system.
- Participated in legislative and regulatory efforts for the California Climate Action Registry (CCAR).
- Have reported selected projects in the 1605(b) program since 2000.
- Chair the American Petroleum Institute's Greenhouse Gas Emissions Working Group that produced the Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Gas Industry.
- Sponsored and actively participated in the development of the Corporate Inventory Module of the World Resources Institute and World Business Council on Sustainable Development (WRI/WBCSD)'s GHG Protocol Initiative.

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- Chair the Climate Change Working Group of the Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean that oversees the implementation of greenhouse gas emissions inventory guidelines in the region.

We hope that our comments will facilitate the development of practical recommended changes that encourage broad participation in the program. If you have any questions, please do not hesitate to contact Judy Blanchard in my office at (202) 408-5831.

Philip T. Cavanaugh

Enclosure

A. Issues Related to Comment Scope

The key to making this program successful is to allow as much flexibility as possible. The original 1605(b) registry was the first greenhouse gas reporting system of its kind in the United States in 1994, and its revision will now get worldwide attention. We have learned and can still learn a great deal from diverse industrial participation. Flexibility is completely appropriate for a voluntary system since it encourages creativity and innovation. The program can be adapted as we gain experience and focus on what works well, ultimately resulting in a more defined reporting process.

We'd like to highlight the American Petroleum Institute's (API) comment that geological sequestration should be given equal weight with other sequestration techniques. The new guidelines should have a new section for geologic and oceanic carbon sequestration reporting separate from the forestry and agriculture carbon sequestration reporting.

B. Issues in the Relationship of the GHG Registry to Other Approaches in GHG Reporting

We believe it is important to strive for a single reporting system for the U.S. A strong program at the federal level will eliminate the need for states to develop their own programs (with possibly differing requirements). Having a consistent reporting process will simplify reporting, especially for large companies that have business in several states, and will encourage participation.

C. Institutional Issues

Time Frame of Data Reported

The timeframe for reporting data (e.g., reductions since 1991 and baseline since 1987) in the current program is adequate. Many companies have been aware of greenhouse gas issues since 1991 and those who have taken action should get credit for their efforts.

Reporting entity definition

The current program's broad definition of reporting entity is not only acceptable but also practical. It allows reporters to report emissions in a manner consistent with business practices. Maintaining the current definition encourages participation.

Level of reporting

The level of detail for emissions reported should be defined by the participant whether it's simply a total by reporting entity (facility, operating division, or operating company) or detailed by equipment or process. Flexibility is important here because the participant will know the most efficient and straight-forward way to report emissions based on their operations. For example, our refining operations use a single meter to measure the quantity of gas combusted rather than maintaining a meter on each furnace where the fuel is actually burned. Clearly, operators with process and facility knowledge should be able to identify the most cost-effective and accurate approach to reporting. Prescribed methods could unintentionally cost resources and serve as a deterrent to participation and can negatively impact accuracy. The more simple and clear-cut reporting is, the better others will understand and therefore accept the results. The reporter will

necessarily have to clearly define their boundaries and demonstrate that emission reductions are real and not simply transferred.

In a voluntary program, reporters should not have to include all emitting activities of the entire business. Rather, they should focus on reporting emissions from the largest sources already being measured and not on relatively insignificant emissions. See **Thresholds for reporting emissions and for reporting emission reductions.**

Emissions avoidance and carbon sequestration reporting are currently not well defined. Time is needed to learn from experience and monitor international developments. For this reason, we feel it is best to first share and discuss data before advising specific methods. Again, enable the reporter to demonstrate how they are avoiding emissions and sequestering carbon.

Reportable GHGs

The gases currently listed for reporting adequately address greenhouse gas concerns. Other gases should not be added until their effects are better known and reliable emission factors are available.

Indirect emissions

Direct and indirect emissions should be reported separately to avoid double counting and overestimation of our national GHG intensity reduction results. This would also allow electricity users to take credit for any actions taken by them that reduce electricity consumption. However, there needs to be a reasonable differentiation for indirect emissions since they all cannot or will not be reported, including contractor emissions. See **Reporting joint activities, addressing duplication of reported emissions and reductions, and ownership** for more on contractor emissions reporting.

Avoided emissions

Avoided emissions should continue to be reported as reductions. Again, international developments need to be monitored to see what works the best before any methodologies are specified. In the meantime, the reporter should clearly explain how the baseline was set and how emissions were avoided.

We would like to suggest an option for companies that provide advice and technical expertise to gain energy efficient solutions for their customers. The system should be flexible enough to allow sharing in the reporting of emission reductions achieved between the two companies when mutually agreed upon. This may lead to increased investments in cost-effective, energy-efficient projects. For example, one company may be able to fund energy efficiency projects for another company and the two businesses could share the emission reductions.

Baselines (or reference case) definition

The current program allows reporters to determine and justify their baseline and adjustments. This is appropriate because reporters are the most knowledgeable about their business and in the best position to determine a baseline based on operating knowledge. Likewise, pre-project baselines should also be determined by the reporter. The DOE can learn about various approaches by requiring reporters to demonstrate how they are establishing their baselines. The guidelines can be adapted as information is collected and experience is gained.

We encourage the development of industry-specific reporting metrics that indicate intensity (per unit input or output) and that are not are not based on confidential or sensitive business information.

Thresholds for reporting emissions and for reporting emissions reductions

Entities should not be prohibited from reporting due to their small size, but as noted in **Level of reporting** above, reporters should not have to include all emitting activities of their entire business. Rather, provisions should be made to allow de minimus sources and gases to be excluded from reports. We recommend setting a de minimus level that is (1) 5% or less of the participating entity's CO_2-equivalent emissions or (2) 10,000 tonnes CO_2-equivalent emissions, whichever is lower. Having a clear and consistent definition will allow reporters (both large and small emitters) to focus their efforts on significant emissions. A 5% level is also consistent with GHG auditing practices. This definition would ensure that all reporters include at least 95% of their total emissions. For the sake of consistency, the de minimus definition should also hold true for emissions reductions, avoided emissions, and sequestered carbon reporting.

The definition suggested here is not intended to exclude individuals or businesses from participating if they do not meet the de minimus criteria. All should be encouraged to participate in the program.

Reduction activity reports on domestic and international projects

We support the optional inclusion of emission reductions and carbon sequestration activities for both domestic and international projects because it encourages action on a worldwide basis and further facilitates the convergence of common reporting practices.

Transferable credits and transferring ownership of reductions

Ownership of emissions and emission reduction credits in joint ventures should be based on contractual agreements among business partners.

Reporting joint activities, addressing duplication of reported emissions and reductions, and ownership

Ownership of emissions and emission reductions in joint ventures should be determined by the business arrangement among partners. It appears that the simplest method would be to report by equity share to establish a consistent method for emissions accounting and future consideration for credits. This would also be consistent with financial reporting. In a voluntary program, reporting by one partner should not trigger mandatory reporting by other partners. Also, a reporter who also has less than 20% equity share in a company should have the option not to report for those operations.

For logistical reasons and to avoid double counting, contractors should have the primary responsibility for tracking and reporting their emissions. Alternatively the contractor and client should be permitted to make business arrangements for achieving and reporting emissions reductions. For example, a client could develop improved operating practices for a contractor and negotiate a business agreement whereby the client reports the emission reductions.

Verification and third-party audit standards

Rather than using an intensive verification process, we support using a certification process whereby the goal is to establish that the reporter has a program in place and that the information provided is reasonably accurate. For this reason, reporters should not have to provide all the underlying data and calculations to the registry, just the results. Having had the direct experience of reviewing greenhouse gas emissions using a third party on an enterprise-wide basis, we are knowledgeable about the intensive effort involved. Although the effort was worthwhile in providing us with experience to build a new enterprise-wide greenhouse gas emissions inventory database system, we would like to see the option to self-certify remain in the guidelines. The self-certification process should be clear to ensure program integrity and it should not be resource-intensive or costly such that it serves as a deterrent to participation. The current process of reviewing reports for consistency with program guidelines, comprehensiveness, and arithmetic accuracy appears to work well.

The register notice asked for comments on the use of third-party verification. While we prefer the self-certification option, we would be willing to provide input on third-party verification standards in the event that DOE evaluates that option further.

Confidentiality of reported data; public availability of information

The revised guidelines should absolutely not waive the confidentiality protection provided by section 1605(b)(3) for obtaining certification reductions to be used in connection with transferable credits or for protection against penalty under future climate policy. Information concerning trade secrets, commercial and financial data, operational techniques, production parameters, and business partnerships should all remain confidential. The only information relevant to the public concerning this program is GHG intensity. For many reporters, keeping information confidential is imperative with the threat of terrorism.

D. Technical Issues

In order to keep GHG emissions reporting simple and practical, a range of options are needed in defining reporting entities, determining baselines, and using methodologies. A one-size fits all approach will not work in this case because of the variety of industries participating and the variation in company size. We think reporters should be able to:

- Use industry guidelines or recommendations for emission estimating methodologies. For example, the API (American Petroleum Institute) Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Gas Industry[1] is useful to the petroleum industry because it contains specific methodologies for petroleum industry sources such as fluidized catalytic cracker (FCC) and hydrogen plants.

- Use site-specific factors because in some cases they can be more accurate than an average factor, such as for fuel composition data.

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[1] For example, the ChevronTexaco Energy and Greenhouse Gas Emissions Inventory System (CEGIS) is based entirely on the API Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Gas Industry. The API Compendium is the result of over two years of efforts by API member companies to compile and consolidate emissions inventory methodologies that can be applied across the industry. CEGIS is our company's effort to utilize and promulgate this emerging industry standard.

- Report an aggregate number when it is the most efficient and accurate method. For example, in refinery combustion, a single meter is used to measure natural gas at the source instead of measuring unit-specific fuel use data.

- Define cogeneration emissions allocations between steam and electricity because this is defined by the natural gas used and relative percentages of steam and electricity generated.

- Use either the DOE's published factors for each state or the electrical generator's calculated factors for determining indirect emissions from electricity use.